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Colorado Division of Housing

Advances

The source for current housing trends

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U.S. Housing Markets Market Hotness

Market Hotness

U.S.	5.7
Denver	13.0
Colorado Springs	13.0

12 month permits per 1000 residents

Investor Hotness

U.S.	-0.83
Denver	-1.23
Colorado Springs	0.05

12 month demand vs. supply ratio

Myers U.S. Housing Markets Fourth Quarter 2001 data

Colorado's Housing Market

The minor recession of 2001/2002 seems to be over on the national level. National economic indicators point to a recovering economy. The national unemployment rate was up slightly in March, but nonfarm employment increased for the first time since July. Other indicators, such as consumer spending, were also up during the 4th quarter of 2001. Orders for manufactured goods are up, with durable goods increasing 1.5% in February.

Colorado has not been immune from the recent downturn in our nation's economy. In fact, it appears that it may take our state longer to rebound due to the number of high-tech jobs lost and other factors such as a record number of Chapter 7 bankruptcies and more announced layoffs. The Denver Metro area did gain 2,000 new jobs in February, according to the Denver Metro Chamber of Commerce, but it will take more time to see if this is truly an economic turn around.

Colorado's unemployment rate dropped slightly to 5.7% in March, higher than the national rate for the first time in 12 years. According to the Colorado Legislative Council, Colorado's employment growth ranked 13th in 2001, while in March 2002 we had the second largest decline in jobs in the nation. Most job sectors showed declines in February with overall nonagricultural wage and salary employment declining 1.5%. The Colorado Legislative Council estimates that our annual unemployment rate will be between 4.4% and 4.7% over the next five years.

There are some signs of economic growth in Colorado. In late 2001, the Denver Metro Job Vacancy Survey showed that there were more than 24,000 job openings – an increase over the survey six months before. The Manpower Employment Outlook Survey for hiring patterns in the second quarter of 2002 shows that 28% of companies surveyed in the Denver area plan to hire additional staff in the second quarter of 2002. However, it appears that the number of people moving into the state is on the decline and job losses will slow the overall gain in employment in the state for the next quarter.

Despite our economic downturn, Colorado real estate prices continue to rise, though at a slower rate than in previous years. The median price of a single family home in the Denver Metro area increased 5% and condos and townhomes 6% between the first quarter of 2001 and 2002, according to the Denver Board of Realtors. The median price of a single family home in the metro area was $216,900 for the first quarter of 2002. This rate of increase is less than in the late 90's through 2001, but shows that the market is still fairly strong. The inventory of units for sale is higher than a year

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Vacancy Rates High in Some Markets, Low in Others

Vacancy rates have been on the rise in some Colorado markets while the market remains extremely tight in others. According to the February Colorado Division of Housing Multi-Family Housing Vacancy & Rental Survey, the vacancy rate for all units surveyed statewide increased from 6.2% in the 3rd quarter of 2001 to 8.4% in the 1st quarter of 2002. The rate in the rural areas of the state is slightly lower at 7.3% overall, and the lowest rates were found in the mountain communities along the I-70 corridor and south central areas of the state.

Many Colorado rental markets remain extremely tight. Summit County and Salida have the lowest rates at .3% and .8% respectively. Eleven out of the 19 areas surveyed still have vacancy rates well below 5% - what is considered to be market equilibrium.

Slow leasing of newly constructed rental properties in the larger front range communities has increased vacancy rates and slowed absorption of new units. Without new jobs to at-

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IN THE PIPELINE

In 2002, the Division of Housing has funded

41 Transitional Units

24 Rentals at 30% AMI

52 Rentals at 40% AMI

34 Rentals at 50% AMI

70 Rentals at 60% AMI

41 Homebuyers Opportunities at 80% AMI

"There is still tremendous need for affordable rental units in the Colorado Springs market, especially in the southwestern and northern parts of the city. While the market for high-end rentals has softened, project owners can't reduce rents to make units more affordable due to the underwriting structure they are in."

Troy Gladwell, Principal

Black Creek Communities

The Colorado Division of Housing State Housing Board (SHB) recommended funding for the following projects during the first quarter of 2002.

The Uptown Partnership, a Denver non-profit housing organization, will receive $200,000 to assist in the purchase and rehabilitation of an existing apartment building in central Denver. The apartment building will be renovated to become permanent housing for 16 formerly homeless people, who are chronically mentally ill. These units will offer rents affordable to persons with rents less than 30 percent of the area median income.

Rocky Mountain Mutual Housing Association Belle Creek Apartments in Adams County

A $310,000 grant was awarded to Boulder Housing Partners, the development arm of the City of Boulder Housing Authority. Over the next year this grant will be used to acquire at least 36 affordable rental units in the City of Boulder for households earning less than 50% of Area Median Income. This grant is the first award made by the division under its new Rental Acquisition program. The Rental Acquisition program provides experienced non-profit housing organizations a funding commitment for the future purchase of rental housing.

Eagle County received a grant of $90,000 to continue its homeownership program. These funds will be used by lower income Eagle County residents to qualify for a mortgage to purchase a home. This funding is loaned to prospective homeowners as a second mortgage. It is repaid to the County and re-loaned to other lower income homebuyers.

The Colorado Coalition for the Homeless (CCH) received a grant of $750,000 to assist in the construction of the 120 unit Renaissance at Lowry apartments in East Denver. Similar to CCH's other Renaissance projects, social services, a community center, and a child-care facility will be offered to residents of Renaissance at Lowry. Rents for these apartments will range from below 30% AMI up to 60% AMI.

A grant of $850,000 was awarded to Almost Home, a non-profit transitional housing organization in Brighton. The grant will be used to construct a 120-unit apartment complex in downtown Brighton known as Hughes Station. This downtown in-fill development will offer rents ranging from 30% AMI to 60% AMI. The complex will include a 2200 sq ft community center for resident services and will anchor the redevelopment efforts in downtown Brighton.

West Central Housing Development Organization, serving the affordable housing needs of six counties on the western slope, received a $125,000 grant to provide homeowner assistance to ten households purchasing units in the Town of Ridgeway. The town required that ten housing units of a new forty-five unit subdivision be sold to households earning less than 80 percent of the AMI. The division's funds will be used to buy down the purchase price of the units and restrict the resale of these units to qualified homebuyers.

FORECLOSURES ON THE RISE

During economic downturns when there are numerous job cuts, property delinquency and foreclosure rates rise. Colorado homeowners are feeling the pain of recent layoffs and a reduction in business profits. Both delinquencies and foreclosures are on the rise in Colorado, especially on the front range.

During the high economic times of recent years, many consumers saddled themselves with high debt – including large mortgages, car loans and credit card debt. Many took advantage of escalated real estate values and secured larger mortgages or home equity loans. Now some residents are struggling to make the payments on these loans.

While Colorado's single family foreclosure rate lags behind the rest of the country, the rate has increased to .49% in the fourth quarter of 2001, according to the Mortgage Bankers Asso-

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ago – a 30% change in condos and townhomes, and a 12% change in single family homes.

The number of new housing units hitting the market is slowing. Building permits for single family homes were down between February 2001 and 2002 by 21% in Denver, Colorado Springs and Boulder-Longmont. Multi-family permits were also down dramatically in the same markets, except for Denver, which saw a large increase of 89%. Total housing permits in the state declined by 20% during this time period.

Though the number of building permits for new housing is declining, higher end rentals are overbuilt in some Colorado markets. Fourth quarter 2001 data from the Denver Metro Apartment Vacancy & Rent Survey shows that vacancy rates are highest in large, newer properties. The latest Colorado Division of Housing Multi-Family Housing Vacancy and Rental Survey for February, 2002 shows that the statewide vacancy rate for the market areas surveyed has increased to 7.3%. Rates vary greatly by area and are still extremely low in areas such as Summit County (.3%) but have risen in some markets such as Lake County (17.1%) and Colorado Springs (9.1%).

What does all of this mean for affordable housing and economic development? Colorado is in a different position in today's national economy than it was during and after the last recession. In the early 1990's, as Colorado attracted new high-tech jobs and large corporations to the state, housing prices were low compared to other cities. Now, due to the surge in Colorado real estate prices and rents, our housing costs are not competitive with most other states.

The American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index for the fourth quarter of 2001 shows that Denver still has a higher cost of living index than Phoenix, Kansas City and Salt Lake City. The consumer price index in Denver is also higher than for the U.S. as a whole.

	Index	Housing	Average Rent	Average Home Price
Denver	**107.4**	**119.2**	**$898**	**$259,376**
Kansas City	101.1	102.4	$700	$223,176
Phoenix	100.2	96.8	$662	$211,171
Salt Lake City	98.1	92.0	$768	$192,512

ACCRA Cost of Living Index Fourth Quarter 2001

Housing prices are especially high compared to other parts of the country. The lack of affordable housing opportunities in Colorado and our higher cost of living will make it harder to attract new jobs. The ACCRA Cost of Living Index for housing shows that the discrepancy between housing costs in Phoenix, Kansas City, and Salt Lake City is even larger than for total expenses.

The National Association of Homebuilders Quarterly Housing Opportunity Index for the fourth quarter of 2001 shows that Colorado cities are much more expensive than most areas in the nation.

Home prices are still rising and vacancy rates for affordable units remain low in most market areas. Rising interest rates will make it more difficult for renters to afford to purchase their first home in the coming year.

Many low wage workers such as those working in retail or in restaurants and hotels suffer job losses in soft economic times. If newly created jobs do not pay the high rates of the past few years, households will have less to spend on housing costs. This may lead to more low and moderate income households paying too much for housing in Colorado.

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ciation of America. This is the highest rate since the early 1990s. Metro counties report 1,430 homes in the Denver metro area being foreclosed upon in the first quarter of 2002. This was a 44.4% increase over the first quarter of 2001.

Delinquencies rose to 3.18% during the fourth quarter of 2001 according to the Mortgage Bankers Association report. That number is up from 2.87% during the fourth quarter of 2001. Still, delinquencies are lower in Colorado than in the nation as a whole. Nationally 4.65% of mortgages were delinquent in the fourth quarter of 2001.

These rates are likely to rise before they fall, because delinquencies and foreclosures lag behind other economic indicators. While there are some economic indicators that project job recovery in the second quarter of 2002, many residents will still be left without income to pay for their homes. However, housing professionals should not expect to see either the high delinquency or foreclosure rates that were experienced in the 1980s in Colorado. While the number of homes on the market has increased in the past quarter, sales are still fairly strong and many homeowners can choose to sell instead of losing their homes to foreclosure.

"Despite the increase in vacancy rates for market-rate apartments since 9/11, Brisben's workforce housing units have maintained good occupancy levels throughout northern Colorado. Qualified traffic counts through our properties continue to meet company expectations. We also anticipate that cautions exercised today as well as land use controls and other barriers to new rental housing will result in increased demand against supply. As the local and national economies rebound, upward pressure to meet growing workforce housing needs will continue."

Kim Vowell, Vice President, Director of Development

Brisben Companies Western Region

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We're on the Web!
www.dola.state.co.us/doh/index.htm

DOH Housing Forecast

Rents	⇔
Vacancies	⇧
Interest Rates	⇧
Foreclosures	⇧
Delinquencies	⇧
Sales Prices	⇔
Rental Housing Need	⇧

"Our Suburban projects have experienced substantial decreases in occupancy and we have resorted to major concessions to attract tenants. In the Downtown market, we have reduced rents slightly to maintain acceptable occupancy levels."

Henry Burgwyn

Burgwyn, Perry & Rose, LLC

WELCOME

This edition of Advances, marks the start of a new service provided by the Division of Housing. Because Colorado's economy and housing markets have become less predictable, we will begin providing quarterly updates on that ever-changing market. Our primary focus will be on the sector of the market dealing with affordable rental and for sale units. However, because those distinctions aren't absolute, we will also be providing you information on the larger market issues as well. We hope to be able to provide you updates to our yearly Housing Colorado Report, which details housing supply and demand conditions around Colorado.

A market can be more efficient if the players in that market, both producers and consumers have knowledge and awareness of the dynamics within the market at any given time. Because conditions at this point are uncertain and constantly changing, there are a number of individuals who want to render judgments about supply and demand based on their own telepathic link to the ethereal plane. For those of us not blessed with an other- worldly source of information, data and accurate communication will have to suffice. The Division of Housing has an extensive human network that will bring current information about Colorado's varying housing markets. As a result of the tremendous growth during the nineties, we have many unique and interesting markets. The demand for smaller apartments in Vail is quite different than the demand for family units in Fountain. What looks expensive in Canon City maybe a bargain in Sterling. With a field staff with close local ties, we hope to bring you the best information from each county in the state.

This publication will serve as a forum for those who are engaged in the formidable task of developing affordable housing. There currently are many opinions on the strength and weakness of the housing market. We intend to bring you the most informed opinions from those in the development business on what they see as the opportunities and challenges in the state's markets. We want you to become a contributor. Feel free to e-mail me (tom.hart@state.co.us) with ideas and suggestions on topics for future issues of Advances.

Tom Hart, Director

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tract people to the metro area from out of state, absorption will continue to lag behind previous periods. Low interest rates have also allowed many renters to become homeowners, which is also contributing to higher vacancy rates and slower absorption.

The average statewide rent decreased slightly from $785 during the 3rd quarter of 2001 to $781 in the 1st quarter of 2002 - the first decrease since the Division of Housing began the survey in 1995. However, this rent is still higher than the average rent of $753 a year ago. While rents dipped slightly in some markets, the majority of market areas saw a rise in rents.

Higher vacancies and slow job growth will continue to keep rents level for a while, but the Division of Housing is not expecting vacancy rates to skyrocket or rental rates to plunge in the next year. There continues to be a strong demand for new affordable rental units throughout the state, and the average rent is still not affordable to many Colorado renters. To afford the average rent in the state, a household must earn $31,242 annually, or $15.15 per hour.

To view the full report, visit the DOH website www.dola.state.co.us/doh/index.htm.

Alamosa	1.3%	$ 334.28
Aspen	3.4%	$1,017.96
Buena Vista	1.7%	$ 516.51
Canon City	2.4%	$ 486.31
Colorado Springs	9.1%	$ 658.11
Durango	2.9%	$ 738.16
Eagle County	2.0%	$ 984.66
Fort Collins/Loveland	7.0%	$ 752.54
Fort Morgan/Sterling	8.6%	$ 400.87
Glenwood Springs	1.4%	$ 826.98
Grand Junction	7.1%	$ 515.25
Greeley	4.9%	$ 600.45
Gunnison	1.6%	$ 494.65
Lake County	17.1%	$ 504.94
Montrose	3.3%	$ 533.53
Pueblo	5.4%	$ 494.64
Salida	0.8%	$ 483.76
Steamboat Springs	5.4%	$ 863.45
Summit County	0.3%	$ 749.52

Vacancy Rates and Rents by Survey Area

Colorado Division of Housing Multi-Family Housing Vacancy & Rental Survey February 2002